GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1000
ANSWERED ON:19.07.2002
FOREIGN EXCHANGE MANAGEMENT ACT
JYOTIRADITYA MADHAVRAO SCINDIA;RENUKA CHOWDHURY;SUSHIL KUMAR SAMBHAJIRAO SHINDE

Will the Minister of FINANCE be pleased to state:

(a)whether the Foreign Exchange Management Act (FEMA), 2002 doesnot have adequate provisions to effectively curb the evils of corruption, hawala-business, smuggling of narcotics and other related crimes pertaining to foreign exchange;

(b)if so, the reasons therefor; and

(c)the steps taken to ensure that well identified culprits indulging in such crimes to destabilise the country`s economy, do not go scot free, to the detriment of honest tax payers?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) & (b) : Foreign Exchange Management Act (FEMA), 1999, whichcame into force with effect from 1.6.2000, is a Civil Law and does not have provisions of arrest and prosecution. However, to deal with cross border financial transactions relating to proceeds of serious crimes like corruption, smuggling of narcotics and such other offences, the Government is in the process of enacting the Prevention of Money Laundering Act.

In addition, cases of cross border financial transactions in violation of the provisions of the FEMA can be investigated and adjudicated under that Act and penalties up to three times of the amount involved can be imposed and recovered.

(c)The Directorate of Enforcement has been alerted to be more vigilant in this regard.